

Message Text

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17/12

ACTION EB-06

INFO OCT-01 AF-04 ARA-06 EUR-12 EA-06 NEA-06 ISO-00 AEC-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01

H-01 INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

RSC-01 SAM-01 OES-02 SP-02 SS-15 STR-01 TRSE-00

FRB-01 FEA-01 PA-01 PRS-01 USIA-06 /108 W

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P 111030Z NOV 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC PRIORITY 2232

INFO AMEMBASSY ALGIERS PRIORITY

AMEMBASSY BEIRUT

AMEMBASSY CARACAS PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY ROME PRIORITY

/AMEMBASSY TEHRAN PRIORITY 480

AMEMBASSY TRIPOLI PRIORITY

AMEMBASSY LAGOS PRIORITY

AMEMBASSY MUSCAT PRIORITY

USMISSION OECD PARIS PRIORITY

AMEMBASSY QUITO PRIORITY

C O N F I D E N T I A L ABU DHABI 1554

C O R R E C T E D C O P Y FOR TAGS AND SUBJECT

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJ: GULF PRODUCERS MEETING IN ABU DHABI

BEIRUT FOR BAGHDAD;

KUWAIT ALSO FOR DOHA.

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1. GULF OIL CONFERENCE ENDED AFTERNOON NOV 10. MEETING DID NOT PRODUCE AGREEMENT AMONG SIX COUNTRIES REPRESENTED. COMMUNIQUE ISSUED AT END OF MEETING INDICATES SAUDI ARABIA, UAE AND QATAR HAVE AGREED TO PUT INTO EFFECT SAUDI PROPOSAL FOR LOWERING OF POSTED PRICE AND HEAVY INCREASES IN TAX AND ROYALTY ON EQUITY OIL. IRAQ, IRAN, AND KUWAIT RESERVE THEIR POSITION.

2. SAUDI ARABIA, KUWAIT, QATAR AND UAE WERE REPRESENTED BY THEIR MINISTERS OF PETROLEUM. IRAN SENT DIRECTOR OF ITS NATIONAL OIL COMPANY AND IRAQ UNDER SECRETARY OF PETROLEUM SHALABI. NEITHER OF LATTER WERE EMPOWERED TO COMMIT THEIR GOVERNMENTS TO SAUDI PLAN AND THEIR PARTICIPATION IN PROCEEDINGS, WE ARE TOLD, CONSISTED MAINLY OF EXPLAINING THAT THEY WOULD RESERVE THEIR GOVERNMENTS' POSITION ON VARIOUS PROPOSALS THAT AROSE.

3. STATEMENT ISSUED BY SAUDI ARABIA, UAE AND QATAR AT END OF MEETING STATES THAT THEY WILL PUT INTO EFFECT, BEGINNING NOVEMBER 1, 1974 FOR PERIOD THROUGH JULY 1975, FOLLOWING CHANGES: POSTED PRICE IS TO BE LOWERED BY 40 CENTS; ROYALTY RAISED TO 20 PERCENT; TAX RATE RAISED TO 85 PERCENT. WE ARE TOLD ON FIRST TWO ELEMENTS OF PROPOSAL UAE AND QATAR AGREED TO SAUDI PROPOSAL WITHOUT CHANGES. ON HIKE IN TAXES, WE ARE TOLD SAUDIS ARRIVED WITH PROPOSAL WITH INCREASE TO 81 PERCENT; SOMEHOW DURING COURSE OF PROCEEDINGS FIGURE GOT RAISED TO 85 PERCENT.

4. KUWAITI AMBASSADOR TELLS ME KUWAIT BASICALLY AGREES WITH SUBSTANCE OF SAUDI PROPOSAL, AND ATEEQI WAS EMPOWERED COMMIT HIS GOVERNMENT, DECISION TO RESERVE POSITION BASED ON RESERVATION KUWAITIS HAVE WITH THIS PROCEDURE. THEY BELIEVE GOK CONSIDERED MISTAKE TO PROCEED IN THIS MANNER OUTSIDE OF OPEC CONTEXT AND BELIEVED SAUDI PROPOSAL SHOULD BE TAKEN UP AT NEXT OPEC MEETING ALONG WITH OTHER PROPOSALS TO BE CONSIDERED THERE.

5. KUWAITI AMBASSADOR SAID THAT ALTHOUGH YAMANI DENIED THIS PUBLICLY, IT WAS WIDELY AGREED IN CORRIDOR DISCUSSIONS DURING MEETING THAT SAUDI PROCEDURE INPUTTING FORTH THIS PORPOSAL AT THIS TIME REPRESENTED DEAL THAT HAD BEEN MADE BETWEEN KING FAISAL AND SECRETARY KISSINGER DURING LATTER'S RECENT VISIT TO SAUDI ARABIA.
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KUWAITI AMBASSADOR EXPRESSED HIS PERSONAL OPINION THAT SAUDIS WOULD NOT HAVE DONE THIS UNLESS IT HAD MET WITH US CONCURRENCE.

6. ACCORDING TO KUWAITI AMBASSADOR, WHILE MEETING STILL UNDERWAY SHAIKH ZAYID RECEIVED BLISTERING MESSAGE FROM QADHAFI CRITICIZING UAE INITIATIVE IN CALLING MEETING AND STATING ITS PURPOSE WAS BETRAYAL OF ARAB INTEREST. LIBYAN AMBASSADOR COMMENTED WRYLY TO HIS KUWAITI COLLEAGUE THAT QADHAFI WAS APPARENTLY GOING ON PUBLIC

REPORTS THAT PROPOSAL INVOLVED ONLY LOWERING POF POSTED PRICE; HE HAD APPARENTLY NOT BEEN INFORMED ABOUT PROPOSAL TO RAISE ROYALTY AND TAXES.

7. MINISTER OF PETROLEUM OTAIBA AND UNDER SECRETARY ABDULLAH ISMAIL BOTH LEFT IMMEDIATELY AFTER MEETING FOR AL AIN TO BRIEF CHAIRMAN OF ABU DHABI NATIONAL OIL COMPANY (ADNOC), SHAIKH TAHNOON.

8. COMMENT: FROM OUR HASTY ANALYSIS, GOVERNMENT TAKE ON BARRLE OF ABU DHABI ONSHORE EQUITY CRUDE WILL BE INCREASED BY SOMETHING ON ORDER OF \$2.25. WE DO NOT SEE THAT LOWERING OF POSTED PRICE WIL COME ANYWHERE NEAR COMPENSATING FOR UPWARD PRESSURE THIS RISE IN ROYALTY AND TAX WILL EXERT ON PRICE LEVEL. RATIONALE HEARD EVERYWHERE HERE, OF COURSE, IS THAT INCREASED GOVERNMENT TAKE IS MEANT TO COME OUT OF "HUGE PROFITS" WHICH OIL COMPANIES ARE ALLEGEDLY AMASSING. STERNER

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